United Nations

Financial report and audited financial statements

for the biennium ended 31 December 2001 and

Report of the Board of Auditors

Volume IV
United Nations University

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Fifty-seventh Session
Supplement No. 5 (A/57/5)

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Note

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14 May 2002

In accordance with financial regulation 11.4, I have the honour to submit the accounts of the United Nations University for the biennium 1 January 2000 to 31 December 2001, which I hereby approve. The financial statements have been completed and certified by the Controller.

Copies of these financial statements are also being transmitted to the Advisory Committee on Administrative and Budgetary Questions.

(*Signed*) Kofi A. **Annan**

Mr. Shauket A. Fakie
Chairman
United Nations Board of Auditors
New York

27 June 2002

I have the honour to transmit to you the financial statements of the United Nations University for the biennium ended 31 December 2001, which were submitted by the Secretary-General. These statements have been examined and include the audit opinion of the Board of Auditors.

In addition, I have the honour to present the report of the Board of Auditors with respect to the above accounts.

(*Signed*) Shauket A. **Fakie**
Auditor-General of the Republic of South Africa
and Chairman
United Nations Board of Auditors

The President of the General Assembly
of the United Nations
New York, N.Y.

Chapter I
Financial report for the biennium ending 31 December 2001

A. Introduction

1. The General Assembly adopted the charter of the United Nations University (UNU) by resolution 3081 (XXVIII) of 6 December 1973 and decided that the University would have its headquarters in the Tokyo metropolitan area in Japan. Authority for the University's policies, work programmes and budget is vested in a Council of 28 members. The Rector, who normally serves for five years, is the chief academic and administrative officer of the University.

B. Financing of the United Nations University

2. The charter of the United Nations University provides that capital and recurrent costs of the University shall be met from voluntary contributions to the University, or from income derived therefrom. Contributions are made by Governments, intergovernmental organizations and non-governmental sources, including foundations, universities and individuals. The funds of the University are kept in a special account established by the Secretary-General of the United Nations.

3. The University derives its income from two sources: an Endowment Fund and contributions to the Operating Funds. The Endowment Fund was established to record transactions relating to the funds contributed by donors, governmental as well as non-governmental organizations. At its ninth session, held in Tokyo in December 1977, the University Council decided to establish a special segment in the Endowment Fund for the purpose of financing the University's programmes designed to assist the developing countries. The purpose of this action was to increase the funding available to the University to assist its work relevant to development. As the work of the University expanded, the Endowment and Operating Funds were enhanced by voluntary contributions to the World Institute for Development Economics Research (UNU/WIDER), the Institute for New Technologies (UNU/INTECH) the International Institute for Software Technology (UNU/IIST), the Institute for Natural Resources in Africa (UNU/INRA), the Institute for Advanced Studies (UNU/IAS), the Programme for Biotechnology in Latin America and the Caribbean (UNU/BIOLAC), the Leadership Academy (UNU/LA), the International Network on Water, Environment and Health (UNU/INWEH), and other specific activities.

4. During the period the following Governments pledged and/or made contributions to the Endowment and Operating Funds: Austria, Canada, Denmark, Finland, Greece, India, Japan, Jordan, the Netherlands, Norway, Sweden, Trinidad and Tobago, Uganda and the United Kingdom of Great Britain and Northern Ireland, as well as Macau, China.

C. Financial position of the United Nations University

5. As shown in statement I, during the biennium ended 31 December 2001, total income amounted to $70.9 million. The breakdown of the income is as follows:

contributions to the Endowment Fund of $0.3 million; operating and programme contributions of $30.4 million; interest income and dividends from the Endowment Fund of $20.2 million; interest income from the Operating Fund of $3.2 million; income for services rendered of $2.4 million; and miscellaneous income of $14.4 million.

6. Transfer of the interest income from the Endowment Fund amounted to $30.0 million and savings on, or cancellation of, the prior periods' obligations amounted to $2.8 million during the reported period.

7. Total expenditure for this period amounted to $109.6 million, of which $7.5 million comprised unliquidated obligations, $21.6 million comprised loss on foreign exchange revaluation and $20.6 million comprised loss on sale of securities.

8. The breakdown of expenditure by major object of expenditure is as follows (in millions of United States dollars) (see statement IV):

	Amount	*Percentage*
Staff and other personnel costs[a]	26.8	24.3
Travel	1.6	1.5
Contractual services	0.7	0.6
Operating expenses	48.3	43.9
Acquisitions[b]	1.3	1.2
UNU headquarters building	4.5	4.1
Research and training networks and dissemination	26.4	24.4
Total	**109.6**	**100.0**

[a] Includes costs of programme staff and consultants.
[b] Includes costs of library books and supplies, and costs of programme equipment.

9. Statement II shows that the combined assets amounted to $309.5 million and the combined liabilities to $17.4 million. The assets included $7.3 million representing pledged contributions to the United Nations University receivable from Governments, the details of which are given in schedule 2.1.

10. The funds held in cash as at 31 December 2001 amounted to $45.2 million, which included interest-bearing bank deposits of $18.5 million.

11. The fund balance of the Operating Funds as at 31 December 2001 amounted to $39.0 million, the breakdown of which is as follows: $24.2 million for UNU headquarters; $7.3 million for UNU/WIDER; $3.0 million for UNU/INTECH; $2.4 million for UNU/IIST; $1.0 million for UNU/IAS; $0.6 million for UNU/LA; and $0.5 million for UNU/BIOLAC.

12. Schedule 2.1 reflects the combined status of pledges from Governments and public donations as at 31 December 2001. The total amount collected during the ended 31 December 2001 was $30.0 million, which includes write-offs amounting to $3.8 million due to exchange fluctuations and long-outstanding pledge receivables deemed irrecoverable. The write-off of irrecoverable long-outstanding pledge receivables includes $0.8 million for Zambia and $3.0 million for France. Unpaid pledges as at 31 December 2001 include $7.3 million.

13. In accordance with the decision of the UNU Council, a total of $30.0 million was transferred to the respective Operating Funds comprising $17.5 million to UNU headquarters, $5.0 million to UNU/WIDER, $2.1 million to UNU/INTECH, $4.1 million to UNU/IIST, $0.4 million for UNU/INRA and $0.9 million to UNU/BIOLAC.

D. Activities of the United Nations University

14. The need for reflection and for greater efforts towards international understanding and cooperation is certainly required after the unprecedented scale and cruelty of the terrorist attacks of 11 September 2001. We must ensure that the foundations of civilized relations among the family of nations are not destroyed. More than ever, the international community must remain committed to the crucial longer-term issues of human security and development.

15. Understanding and providing responses to pressing global problems such as this is precisely the goal of UNU, the objectives of which are also to develop capacities and alleviate the isolation of academics in developing countries to ensure that their voices are part of the debate. We are also contributing to United Nations policy discussions — within the context of the United Nations Millennium Declaration agreed upon by world leaders — by making use of our niche as a United Nations agency that can focus on crucial global problems with academic independence and objectivity.

16. The biennium 2000-2001 was characterized largely by the implementation of the planned academic activities described in the programme and budget for that biennium, the launching of new initiatives and the implementation of the Strategic Plan 2000 — aimed at making the University a more effective research and capacity development organization.

17. Since 1998, our academic activities have been focused within two major thematic areas — (a) peace and governance and (b) environment and sustainable development. Within these broad thematic areas, UNU works in five areas that affect human security and development: (a) peace; (b) governance; (c) development; (d) science, technology and society; and (e) environment.

18. Some highlights of the University's activities during the biennium 2000-2001 are as follows:

1. Peace and governance

Peace

19. The year 2001 offered many tragic reminders of the interconnection between peace, well-being, equity and justice, and of the importance of cross-cultural dialogue. The 11 September 11 terrorist attacks in the United States of America underlined the symbiotic relationship between security and governance and the need to address security challenges outside the conventional paradigms.

20. The UNU Centre Peace and Governance Programme teamed up with counterpart institutions in South and South-East Asia to conclude a major project on non-traditional security in Asia. Funded by the Ford Foundation, the project aimed to deepen understanding of non-traditional security within and between

communities, highlighting social, economic and environmental issues; and to mainstream knowledge on non-traditional security for the next generation of Asian scholars and policy analysts.

21. The year 2001 was proclaimed the "United Nations Year of Dialogue among Civilizations" by the General Assembly. Drawing upon its unique characteristic as an academic institution rooted in the United Nations system, UNU has undertaken a scientific exploration of the dialogue itself: what are the prerequisites of a meaningful dialogue? How can we best facilitate it? The University has brought together over 100 academics and other experts from diverse cultural backgrounds for in-depth discussions in a series of conferences and workshops held throughout the year. The project culminated in the "International Conference on the Dialogue of Civilizations" organized in cooperation with the United Nations Educational, Scientific and Cultural Organization (UNESCO) and held in Tokyo and Kyoto from 31 July to 3 August. The conferences and workshops highlighted that while a conscious effort is necessary to turn cross-cultural exchange into a meaningful dialogue, the potential of such a dialogue to arrive at new and creative solutions to the common problems facing mankind is vast.

22. A UNU/WIDER comparative study on the causes of conflict concluded that one key to avoiding conflict is containing and reducing grievance. Policies that favour a narrow minority — widening inequality in incomes and access to basic services — induce grievance and erode respect for society's rules of the game. In addition, adverse economic shocks — the decline in the price of a key export commodity, for instance — can, by inducing recession, exacerbate grievance when one group bears a disproportionate share of the adjustment costs. But it is not just poor societies that fall into the abyss of violence: greed and grievance are a deadly combination for countries "cursed" by resource riches.

23. The work of the UNU also involved looking at the sequence of conflicts and developments in Kosovo, which provided complex challenges for the international community. While the actions of the North Atlantic Treaty Organization (NATO) had many accomplishments, bypassing the Security Council to launch a military intervention was a deeply troubling precedent. In a world full of complex conflicts, the international community faces the painful dilemma of being "damned if we do, and damned if we don't". The key question is this: confronted with another holocaust or Rwanda-type genocide on the one hand, and a Security Council veto on the other, what should be done? Because there is no clear answer, further work to build a new consensus on humanitarian intervention is still urgently needed.

24. The work carried out by the Initiative on Conflict Resolution and Ethnicity, a joint undertaking of UNU and the University of Ulster, on coming out of violence tried to identify those factors that facilitate or hinder peace processes. It particularly addresses issues of negotiation and constitutional change, political violence, economics, external influences, public opinion and symbolism. Peace processes frequently collapse, but each phase often delivers some level of success. The research concludes that the search for comparative models is likely to be an increasingly important feature of internal peace processes.

Governance

25. The year 2000 witnessed unprecedented protests against the main organizations of global economic governance. In particular, due to its powerful

dispute settlement mechanism, the World Trade Organization (WTO) has found itself at the centre of controversy in areas that are well outside the domain of traditional trade policy. In January 2001, UNU published the findings of its study on the role of the WTO in global governance. With a range of expert contributions, among others from Secretary-General Kofi Annan, incoming WTO Director-General Supachai Panitchpakdi and the United Nations High Commissioner for Human Rights, Mary Robinson, the book focuses on how best to support a trading system that has led to unprecedented growth in the world economy, while also ensuring that the benefits are more fairly distributed. Some of the key recommendations, such as the establishment of an external panel of eminent trade experts to formulate innovative policy directions for WTO, provide greater public access to WTO documents and ensure greater involvement of the private sector, were discussed at a high-level book launch held in Geneva in May 2001.

26. The UNU Centre project on civil society and global finance, done in collaboration with the University of Warwick, analysed the changes that have taken place in global economics, the political and social questions that have arisen as a result of this, and the response of international civil society. The findings, presented at the United Nations and the International Monetary Fund (IMF), showed that civil society plays an important and growing role in global finance: as a channel of information, a source of legitimacy and a catalyst to democratization. But civil society actors in turn need to pay more attention to their professional competence and their own democratic attributes.

27. There is a growing consensus that (individual) accountability and justice are the essential foundations of peace and stability both within and between societies. But this process is not uncontested: many people believe that justice must be local. International justice is often seen as a political and inconsistent process, or sometimes as "victors' justice". Moreover, in transitional societies, there may be tensions between ensuring justice and accountability on the one hand, and maintaining peace and stability on the other. A major international conference with the Netherlands Institute of Human Rights at Utrecht University, entitled "From a culture of impunity to a culture of accountability", explored those issues.

2. Environment and sustainable development

Development

28. Many low-income countries have very high levels of external debt, much of it owed to official creditors. In December 2000, the IMF and the World Bank announced that 22 eligible countries (18 of them in Africa) had qualified for debt relief worth some $34 billion. But the Heavily Indebted Poor Countries Initiative, and debt relief more generally, remains highly controversial. Many have argued that the debt should be completely written off so as to provide a fresh start for the world's poorest economies. Others have argued that a complete write-off will not necessarily benefit the poor of the indebted countries. On 17 and 18 August 2001, UNU/WIDER held a conference to discuss these issues. Building on the recent debate, the conference reviewed what is presently known about the relationship between debt, development, and poverty reduction, and assessed the state of progress on debt relief and its implications for the relationship between aid donors and recipient countries.

29. Starting in the late 1980s, there was a wave of privatization throughout Latin America that affected a vast array of activities: water, electricity, transport, telecommunications, etc. While the aim was to raise the efficiency of service delivery, privatization affects directly the welfare of the population because utilities provide some of the most essential human needs. The objective of UNU/WIDER project was to elucidate the effects of privatization of public utilities on consumer's welfare. While increases in access do seem to have benefited the poor, the distribution of benefits has been mixed. At present, the worst levels of utility coverage remain in rural areas. The lowest point of the overall privatization experience in the countries under study seems to be the weakness of regulation. Increased private participation in infrastructure does not exempt Governments from their primary responsibility of ensuring universal access to basic services.

30. Much more economic (and non-economic) activity takes place within groups — families, firms, community organizations, non-governmental organizations and even Governments — than in arm's-length market transactions. However, economists focus largely on market transactions. The UNU/WIDER project on institutions and development found that there are many different modes of behaviour within groups, that the macro-environment greatly influences such modes of behaviour and that alternative modes of behaviour have very different outcomes for efficiency, equity and well-being. The study points to the need for the implications for group behaviour to be considered when undertaking macrochange.

31. Given the increasing concern that information is becoming a factor (like income) by which countries are classified as rich and poor, UNU/WIDER has undertaken a major research initiative highlighting the importance of information technology for economic growth. In 2000, a UNU panel met in preparation for the high-level segment of the Economic and Social Council on information technology that highlighted the findings of the project. The Acting Director of UNU/WIDER then chaired a panel on the impact of information technology on development/economic growth at the meeting of the Economic and Social Council held on 7 July 2000. The worrying aspect is that many developing countries have neither invested in information technology nor benefited from the rapid technological change. In addition, for information technology advances to lead to development, it is local innovations that are of critical importance. Currently, many developing countries do not have the infrastructure or capabilities to translate global advances into local benefit.

Science, technology and society

32. Governments across the developed and developing worlds have been instituting a host of measures to support industrial research and development. Focused on the experience of India, Malaysia, Singapore and South Africa, the UNU/INTECH project on market-friendly innovation policies in developing countries assessed the various policy instruments used to increase investments in research and development by their respective enterprise sectors. The findings indicate that, for financial instruments to succeed, it is also important to have a well-articulated innovation policy, with emphasis on human resource development.

33. In response to the rapid increase in the use of computers and progress in software technology development, UNU/IIST undertakes research and assists developing countries to build up their research, development and education

capacities in the field of software technology. UNU/IIST undertakes projects on applying advanced software technology in designing large and reliable software systems. In 2001 alone, UNU/IIST also held 16 training schools and courses with about 500 participants from more than 26 countries.

34. Technological innovation provides one of the great potentials that we have in terms of addressing the issue of human development. Every country needs to formulate national innovation strategies if it wants to improve the standard of living of its citizens. UNU/INTECH has been carrying out important work on technological innovation and on the policy approach of national innovation systems. In September 2000, UNU held a major conference with China's Ministry of Science and Technology with over 50 presentations by researchers and policy makers.

Environment

35. The People, Land Management and Environmental Change (UNU/PLEC) project develops sustainable and participatory approaches to biodiversity conservation within agricultural systems around the world. PLEC focuses on the identification and demonstration of profitable and biodiversity-rich management systems, and on networking and capacity development. In 12 developing countries (Brazil, China, Ghana, Guinea, Jamaica, Kenya, Mexico, Papua New Guinea, Peru, Thailand, Uganda and the United Republic of Tanzania), demonstration sites are turned into fruitful places for farmer-to-farmer interaction, with the scientists playing a supporting role. Officials and other stakeholders are brought into the farmers' meetings to demonstrate the success of People, Land Management and Environmental Change approaches, which are recognized and often replicated elsewhere. Working with the project has helped more than 40 institutions and 200 professional participants to embrace a farmer-centred approach and learn new research skills.

36. UNU has adopted a facilitating role in fostering zero emissions related activities through the UNU/Zero Emissions Forum, which brings together representatives from business, government and the scientific community in pursuit of three objectives: research, capacity development, and networking. The Forum promotes international multidisciplinary research efforts to analyse trends in society and technology using a range of methodologies. UNU organized the Zero Emissions Symposium 2001 on 25 and 26 October focusing on zero emissions economy and utilization of biological resources. UNU work on zero emissions has also increasingly expanded internationally, with meetings in the Republic of Korea, Thailand, Tunisia and Viet Nam.

37. Although it is commonly recognized that sustainable development involves complex and multifaceted processes, global agreements and treaties tend to focus on one specific issue. UNU has placed particular emphasis on the need for greater consistency and coherence within the international environmental governance system and between this system and other aspects of the global governance system such as trade and health. On 3 and 4 September 2001, UNU organized an International Eminent Persons Meeting on Inter-Linkages to help feed the findings of the work of the University into the World Summit for Sustainable Development, scheduled to be held in Johannesburg, South Africa, in August and September 2002.

38. An international study undertaken by UNU and its partners identified critical actions to avoid global destruction caused by extreme environmental impacts. The

study focused on 16 countries strongly impacted by the 1997-1998 El Niño. Losses from El Niño in 1997-1998 included thousands of deaths and injuries from severe storms, heat waves, fires, floods, frosts and drought; estimates of related damages ranged from $32 to $96 billion. The study highlighted that thousands of human casualties and tens of billions of dollars in economic damage will continue to befall the world's developing countries every two to seven years, until an investment is made to improve forecasting of and preparedness against El Niño.

39. In 2000, the Global Environment Information Centre organized a major conference, entitled "The values of forests — International Conference on Forests and Sustainable Development" in Tokyo, in collaboration with the World Commission on Forests and Sustainable Development, the Environment Agency of Japan and the Forestry Agency of Japan. The objective of the conference was to highlight the true nature of the multiple values of forests in promoting sustainable development.

40. Water is a critical issue that is at the heart of our work. Following the second World Water Forum and the Ministerial Conference held at The Hague from 17 to 22 March 2000, the UNU Rector along with the heads of five United Nations agencies (the Food and Agriculture Organization of the United Nations, the United Nations Environment Programme, UNESCO, the World Health Organization and the World Meteorological Organization) supported the Ministerial Declaration of The Hague. That declaration highlights the common goal of providing water security in the twenty-first century and endorses the role of the United Nations system in the area of water management. Following the discussions at the second World Water Forum, UNU is working, in particular with UNESCO, to develop a United Nations world water development report.

41. Promoting better use of geothermal energy has been a priority of UNU for over 20 years. The UNU Geothermal Training Programme (UNU/GTP) was heavily involved in the preparations for, and activities at, the World Geothermal Congress 2000, which was held in Japan from 28 May to 10 June 2000. The congress is organized every five years by the International Geothermal Association. At the meeting there were some 1,250 participants from 61 countries, and 670 technical papers were presented. Fellows trained at UNU/GTP in Iceland during the period from 1979 to 1999 were authors or co-authors of 88 technical papers at the congress.

3. Developing capacities: UNU training and fellowships

42. All parts of UNU system engage in capacity development activities, aimed in particular at strengthening the role of individuals and academic institutions in developing countries. Our specialized capacity development programmes include short and long-duration training programmes for postgraduate scholars and young professionals, as well as degree-oriented study and research training programmes. The programmes cover a wide variety of subject fields, spanning all priority programme areas of the University. In 2001, more than 800 young scholars and professionals participated in short courses of up to two months' duration organized by UNU. The University also awarded over 80 fellowships to participants in longer specialized programmes of between three months' and one year's duration, covering such diverse fields as biodiversity, fisheries, food technology, geothermal energy, or software technology. In addition, more than 30 doctoral candidates and postdoctoral fellows engaged in research work at our research and training centres.

43. UNU is continuing its efforts to support lifelong learning and other forms of online and distance education. The Virtual University Initiatives of UNU aim to make use of the flexible nature of the Internet to establish open and extensible educational infrastructures. The Initiatives have newly established links with UNHCR, aiming to develop a UNHCR e-Centre distance learning programme that builds on the Initiatives e-learning platform. UNU/INWEH, together with the Department of Economic and Social Affairs of the Secretariat and the University of Waterloo in Canada, is creating a distance learning programme on integrated water resource management that builds on best practices to improve water management in developing countries. The curriculum will be disseminated through a global network of regional and national training institutions, which will serve as teaching and resource centres for the programme.

44. UNU builds on its research and training experience to assist institutions of higher learning in developing countries to upgrade their teaching curricula. UNU/INRA has developed a modular postgraduate training course in environmental management and policy analysis for use by universities in Africa. UNU/IIST supports universities in the development of curricula for computer science departments. The major activities of the Food and Nutrition Programme during the biennium 2000-2001 were the preparation for and the follow-up of the annual meeting of the Scientific Committee on Nutrition of the Administrative Committee on Coordination (ACC)[1] held in Nairobi in April. The Programme co-chaired the Committee's working group on capacity development with the International Union of Nutrition Sciences and targeted Africa as the principal focus of the Committee's attention. Action plans for the realization of the African Capacity Development Initiative were outlined in a series of four workshops held over the past two years. The plans' principal aim is to secure inspired African leadership in nutrition that is sustainable and capable of meeting the continent's challenges, driving the nutrition agenda at national levels, and mobilizing interregional and intraregional cooperation to achieve the eradication of malnutrition as a public health problem.

45. Every year, UNU Centre organizes a six-week training programme in Tokyo for a selected group of around 60 postgraduate students and young professionals on various issues of global concern. The aim of the programme is to provide young people who wish to pursue an international career in public service or private organizations with the knowledge and skills to analyse global issues from a truly global perspective, both theoretically and empirically. The courses bring together a diverse group of students and lecturers both in terms of cultural background and professional experience. In 2001, 58 participants from 33 countries, who were selected out of a total of over 300 applicants, were taught by a faculty of UNU academic staff and more than 20 external experts from academia, United Nations and other governmental and non-governmental institutions. The courses focused on "United Nations system: structure and activities", "Environmental monitoring and quality", "Human rights: concepts and issues", and "International cooperation and development".

46. The leadership education courses offered by the UNU Leadership Academy (UNU/LA) in Amman, now employ a unified core curriculum combining seminar

[1] By its decision 2001/321 of 24 October 2001, the Economic and Social Council changed the name of the Administrative Committee on Coordination to United Nations System Chief Executives Board for Coordination.

discussions, multimedia presentations, videoconferencing, group discussions and presentations by participants with personality identification and analysis. The Academy also introduced a new, rigorous nomination and selection procedure to identify mid-career leaders for participation in its leadership education courses. In 2001, courses were held on "Leadership for poverty reduction" with 23 participants from 22 predominantly developing countries and on "Leadership for young Jordanian entrepreneurs" with 25 participants from the Academy's host country.

47. The six-month UNU Fisheries Training Programme (UNU/FTP) provides advanced training in various fisheries-related areas to specialists from the public, private and academic sectors. Provincial fisheries administrators, fisheries scientists and operational managers, economists, planners and technical receive in-depth, individualized training in fisheries policy and planning; marine and inland waters resources assessment and monitoring; quality management of fish handling and processing; management of fisheries companies and marketing; fishing technology; fleet operations; aquaculture; or environmental protection assessment and monitoring. Fourteen fellows, among them three women, from ten developing countries, started the programme in August 2001.

48. The UNU Geothermal Training Programme (UNU/GTP) is operated at the National Energy Authority of Iceland, which has been an Associated Institution of UNU since 1979. The main goal of UNU/GTP is capacity development in the sustainable use of geothermal energy resources. The aim is to assist developing and transition countries with significant geothermal potential in building up groups of specialists that cover most aspects of geothermal exploration and development. Since the foundation of UNU/GTP in 1979, 261 scientists and engineers from 38 countries have completed the annual six-month courses. In 2001, sixteen fellows, two of them women, from ten countries, completed their specialized training in geothermal utilization, environmental studies, chemistry of thermal fluids, geological exploration, borehole geology and geophysical exploration.

4. A think tank for the United Nations system

49. In his 1997 reform plan, the Secretary-General specifically called upon UNU and the other United Nations research agencies to better tap the knowledge, analyses and expertise from around the world in the main areas of United Nations work. Therefore, in the *Strategic Plan, 2000*, UNU put priority on proactively strengthening its links with colleagues in the United Nations system — in the Office of the Secretary-General, the Secretariat, UNESCO, the United Nations Development Programme (UNDP), FAO, WMO and many others. In recent months, the Secretary-General has explicitly drawn on UNU research findings regarding conflict prevention, poverty eradication and information technology strategies.

50. In June 2000, UNU launched an annual Geneva Research and Policy Dialogue with the United Nations Office at Geneva. The aims are to better tap knowledge, analyses and expertise from around the world, as well as to strengthen collaboration between research entities in the United Nations system and between the suppliers of research and United Nations policy makers who could use the results. In 2001, presentations were focused on: freedom from want; securing our future; and freedom from fear, the themes raised in the Millennium Report of the Secretary-General (A/54/2000). The dialogue also highlighted:

(a) The need to improve access to research material produced within the system;

(b) The relevance and added value of research produced by United Nations institutes compared to academic research;

(c) The need to close the gap between research and policy-making within the system;

(d) The culture shift required to enable the United Nations to develop a strong capacity in research, analysis and policy planning and thus help improve the performance of the organization.

51. UNU is making particular efforts to bring the findings of UNU work directly to policy makers in the system by holding a number of policy panels in New York, Geneva, Paris and other United Nations locations. In 2000, high-level panels and seminars were convened on the "Implications of the Kosovo Crisis", the "Legitimacy of International Organizations", "Information Technology and Economic Growth", "Trade and Development", "Women's Leadership" and "El Niño: Reducing the Impacts of Extreme Climate Events". In 2001, panels entitled "The Governance of Globalization", "Global Finance and Civil Society after Prague", "Coming Out of Violence — The Management of Peace Processes, Governance and Development in Africa", were convened, as well as the UNU/UNITAR Series on Sustainable Development Practice.

52. In its project work, UNU collaborates with many of the specialized United Nations agencies (over 30 in 2001) in implementing its project activities. For example, UNU is working with UNESCO in the follow-up of the World Conference on Higher Education, the UNITWIN/UNESCO Chairs Programme, the World Conference on Science and the Management of Social Transformations Programme. The University is also working with UNDP to promote the jointly developed World Income Inequality Database and on a pilot phase of the World Governance Survey.

5. Dissemination and public information

53. Thanks to CNN, two series of television public service announcements providing a general introduction to UNU and its international network of research and training centres and programmes were broadcast to television viewers worldwide. The 60, 30 and 15-second spots were aired six to nine times daily on CNN International. The main objective of the campaigns were to attract viewers to the UNU web site to learn more about the organization and its affiliated institutes and programmes.

54. Recognition of UNU Press as a fast, efficient, and flexible publisher has continued to grow within the international academic and publishing communities. Among the notable achievements of UNU Press in 2001 was the receipt of the prestigious Library Journal Notable Government Documents Award for the book entitled *Kosovo and the Challenge of Humanitarian Intervention: Selective Indignation, Collective Action, and International Citizenship*, edited by Albrecht Schnabel and Ramesh Thakur, published in 2000.

55. In all, the work of the University led to the publication of 66 new books in the biennium 2000-2001, of which UNU Press published 30. The work of UNU was promoted at panels and book fairs around the world, including in Beijing, Frankfurt,

Geneva, Helsinki, Los Angeles, London, Moscow, Paris, Singapore and Tokyo. In order to promote the broadest possible distribution of its titles in developing countries, the UNU Press continued to encourage the production of inexpensive local editions by indigenous publishers and to promote free distribution of its publications in appropriate quarters.

56. In 2001, UNU launched the "U Thant Distinguished Lecture Series". The series will bring some of the world's leading thinkers to Japan to address the twenty-first century's most pressing issues and the potential role of the United Nations in promoting better livelihoods for all peoples. These eminent persons will include scholars as well as prominent thinkers in business, government, religion and international affairs. Dr. Mahathir bin Mohamad, Prime Minister of Malaysia, delivered the first lecture, entitled "Globalization, Global Community and the United Nations". President Thabo Mbeki of South Africa gave the second lecture, entitled "The New African Initiative".

57. UNU/WIDER also initiated a new form of activity, that of major development conferences on topical issues. In 2001, these conferences focused on the themes of "growth and poverty" and "debt relief". Both conferences attracted about 150 participants, consisting of a good mix of both experienced and younger people, academics, international organizations, non-governmental organizations and researchers from both the developed and developing world.

58. The University also hosted lectures by such distinguished speakers as Louise Fréchette, Deputy Secretary-General of the United Nations; Hans Küng, Director Emeritus, Institute for Ecumenical Research University of Tübingen, Germany; and Jagdish Bhagwati, Columbia University and Council on Foreign Relations. UNU also worked with the African Diplomats in Tokyo and the Government of Japan to organize a major conference on Africa Day to help prepare the input of Africa for the Group of Eight conference in Okinawa. Keynote speeches were by M. Amadou Toumani Touré, former President of Mali, and K.Y. Amoako, Executive Secretary of the Economic Commission for Africa. UNU also organized a major conference, with the Organization of the Islamic Conference and the Islamic Centre Japan, focusing on the relations between East Asia and the Muslim world in the twenty-first century. Keynote speeches were given by Azeddine Laraki, Secretary-General of the Organization of the Islamic Conference; Salih Bin Abdul Aziz Aal Al-Sheikh, Minister of Islamic Affairs and Endowments, Saudi Arabia; and Abdullah Bin Salih Al-Obeid, Secretary-General of the Muslim World League.

6. Organizational developments, finance and administration

59. The UNU Research and Training Programme on Comparative Regional Integration Studies (UNU/CRIS), set up with the College of Europe and the Flemish Government, began work in 2001. UNU also initiated a new Research and Training Programme on Fragile Ecosystems in Wetland Areas in Mato Grosso, Brazil, in cooperation with the Universidade Federal de Mato Grosso (UFMT) and the Government of Mato Grosso.

60. In 2001 the University initiated the pilot phase of a programme on Science and Technology for Sustainability with the Government of the Republic of Korea and Kwangju Institute of Science and Technology. In 2001, UNU received a strong endorsement to start a new Research and Training Centre focusing on Environment and Human Security (UNU/EHS) in Bonn.

61. UNU extended the Agreement of Cooperation with the Government of Iceland and the Marine Research Institute regarding fisheries-related capacity development activities. An agreement on the extension was signed on 23 October 2001 during the visit to Japan of Halldor Asgrimsson, Minister for Foreign Affairs of Iceland. The extension is for a period of six years, from 2002 to 2008, and provides a solid base for the UNU Fisheries Training Programme.

62. The University also continued discussions with Qatar regarding a new centre in the Middle East. The Rector visited Qatar in February and a follow-up delegation visited in October. A feasibility study for a new programme on energy and water in the Middle East is now planned.

63. Plans are being developed to make the UNU Centre Building in Tokyo more open and accessible to the public. In 2000, other United Nations agencies were steadily brought into the building, with the aim of creating a "United Nations House" in Tokyo. In the coming years, the plan is to reform the first and second floors, with a view to increasingly have exhibitions showcasing the work and values of the United Nations.

64. The Japan Standards Association officially certified the UNU Centre, UNU/IAS and the Global Environment Information Centre (GEIC) in Tokyo to meet the ISO14001 standard in January 2001. UNU is the first United Nations agency to obtain ISO14001 certification and the fifth academic institution in Japan.

65. In June 2000, the University introduced a new Financial, Budgetary and Personnel Management System, which is a computerized accounting system that will be used by UNU units around the world.

Annex

Supplementary information

1. The present annex includes an explanation of the double-counting contained in the financial statements along with information the Secretary-General is required to report.

Double-counting in the financial statements

2. The University's financial statements for individual funds contain elements of double-counting of inter-fund indebtedness totalling $13,579,189. These amounts have been eliminated from the inter-fund balances receivable and inter-fund balances payable figures shown in the total column of statement II.

Write-off of receivables

3. In accordance with financial rule 110.14, the Controller, or when required, the Under-Secretary-General for Management, after full investigation, has approved write-offs for the biennium 2000-2001 totalling $3,842,888, which includes $3,822,753 written off for long-outstanding pledges. The remaining amount of $20,135 represents long-outstanding receivables written off. In each case it was determined in the light of the facts known at the time that: (a) the responsibility for the loss could not be fixed and attached to any official of the United Nations; (b) every effort had been made to collect the amounts due; and (c) further collection efforts would be fruitless.

Chapter II
Report of the Board of Auditors

Summary

The Board of Auditors has audited the operations of the United Nations University (UNU) at its headquarters in Tokyo and in three of its research and training centres, namely: the Institute for Advanced Studies (IAS) in Tokyo; the International Institute of Software Technology (IIST) in Macau, China, and the Institute of New Technologies (INTECH) in Maastricht, the Netherlands. The Board has also validated the financial statements of UNU for the period from 1 January 2000 to 31 December 2001.

The Board's main findings are as follows:

(a) Unpaid pledges amounting to $3 million as at 31 December 2001 from a Member State has been outstanding and inactive for more than 10 years, but there have been extensive efforts on the part of the Administration to obtain payment;

(b) Proposals for the establishment of six new research and training centres/programmes could create sustainability problems, owing to financial constraints;

(c) The Administration paid $0.3 million to a contractor to raise funds for one of the projects of the International Network for Water, Environment and Health (INWEH). However, since the contractor has thus far generated contributions of only $17,963, UNU headquarters has had to advance $0.6 million to INWEH to finance its operational costs;

(d) Allotments and expenditures are not accumulated per project and the Financial, Budgetary and Personnel Management System does not have data entry controls to ensure that obligations incurred do not exceed allotments;

(e) Staff cost component of projects is not captured by the Financial, Budgetary and Personnel Management System because there is no existing policy allocating the services of researchers (academic staff) to the different projects that they are handling;

(f) Project expenditures are monitored at the object of expenditure level instead of at the project level, thereby failing to link project performance with accumulated project costs;

(g) There is no policy standardizing the optimal number or the magnitude of projects that should be handled by an academic officer.

The Board made recommendations regarding improving programme management and financial procedures, making accountability more transparent, and enhancing the capability of the Financial, Budgetary and Personnel Management System.

A list of the Board's main recommendations is contained in paragraph 10 of the present report.

A. Introduction

1. The Board of Auditors has audited the financial statements of the United Nations University (UNU) for the period from 1 January 2000 to 31 December 2001 in accordance with General Assembly resolution 74 (I) of 7 December 1946 and article IX of the charter of UNU. The audit has been conducted in conformity with article XII of the Financial Regulations and Rules of the United Nations and the annex thereto, and the common auditing standards of the Panel of External Auditors of the United Nations, the specialized agencies and the International Atomic Energy Agency. These auditing standards require that the Board plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement.

2. The audit was conducted primarily to enable the Board to form an opinion as to whether the expenditures recorded in the financial statements for 1 January 2000 to 31 December 2001 had been incurred for the purposes approved by the General Assembly; whether income and expenditures were properly classified and recorded in accordance with the Financial Regulations and Rules; and whether the financial statements of UNU presented fairly the financial position at 31 December 2001. The audit included a general review of financial systems and internal controls and a test examination of the accounting records and other supporting evidence to the extent the Board considered necessary to form an opinion on the financial statements. The audit was carried out at United Nations University headquarters and the UNU/Institute for Advanced Studies (IAS) in Tokyo, the UNU/International Institute for Software Technology (IIST) in Macau, China, and the UNU/Institute for New Technologies (INTECH) in Maastricht, in the Netherlands.

3. In addition to the accounts and financial transactions, the Board carried out other reviews under regulation 12.5 of the Financial Regulations and Rules of the United Nations. The reviews concerned the efficiency of the financial procedures and, in general, the administration and management of UNU.

4. The Board continued its practice of reporting the results of specific audits through management letters containing detailed observations and recommendations to the Administration. This practice helped in maintaining the ongoing dialogue with the Administration on audit issues.

5. The present report covers matters that, in the opinion of the Board, should be brought to the attention of the General Assembly. The Board's observations on all matters contained in this report were communicated to the Administration, which confirmed the facts on which the Board's observations and conclusions were based and provided explanations and answers to the Board's queries. The report is divided into two parts, covering the audit of financial issues and management issues, respectively.

6. A summary of main recommendations is contained in paragraph 10. The detailed findings of the audit are reported in paragraphs 11 to 51.

1. *Previous recommendations not fully implemented*

7. In accordance with section A, paragraph 7, of General Assembly resolution 51/225 of 3 April 1997, the Board has reviewed the action taken by the Administration to implement the recommendations made in its report for the

biennium ended 31 December 1997, and confirms that UNU has implemented all the recommendations.

8. In accordance with General Assembly resolution 48/216 B of 23 December 1993, the Board also reviewed the measures taken by the Administration to implement the recommendations made in its report for the biennium ended 31 December 1999.[2] Details of the action taken and the comments of the Board are set out in the annex to the present report.

9. The General Assembly, in its resolution 52/212 B of 31 December 1998, accepted the recommendations of the Board of Auditors for improving implementation of its recommendations approved by the Assembly, subject to the provisions contained in the resolution. The Board's proposals, which were transmitted to the General Assembly in a note by the Secretary-General (A/52/753, annex), included the following main elements:

(a) Need for specification of timetables for the implementation of recommendations;

(b) Disclosure of office-holders to be held accountable;

(c) The establishment of an effective mechanism to strengthen oversight in regard to the implementation of audit recommendations. Such a mechanism could be in the form of either a special committee comprising senior officials or a focal point for audit and oversight matters.

The Board noted that UNU had generally complied with those requirements.

2. Recommendations

10. **The Board recommends that UNU:**

(a) Consider existing resources in deciding to establish additional research and training centres (para. 24);

(b) Review and verify the track record of a contractor for any fund-raising activity, especially that which calls for the creation of a trust outside of the organizational structures of UNU and assess the financial condition of the International Network for Water, Environment and Health to determine if it is still capable of financing its own operations (para. 28);

(c) Prepare the budget and record expenditures per project, per object of expenditure and accordingly enter the data in the Financial, Budgetary and Personnel Management System; and enhance this System to allow it to reject obligations in excess of allotments at data entry (para. 33);

(d) Initiate a system-wide policy to include the salaries of researchers in costing projects and the adoption of an allocation ratio, in the event that a researcher works on several projects (para. 37);

(e) Ensure that the research and training centres and programmes prepare their budgets in a manner that will allow the projects to accumulate expenditures by project and by object of expenditure and utilize the capability of the Financial, Budgetary and Personnel Management System for that

[2] *Official Records of the General Assembly, Fifty-fifth Session, Supplement No. 5* (A/55/5), vol. IV.

purpose; and provide the academic staff with read-only access to the System with respect to the fund balances on their respective projects (para. 42);

(f) Review the standard number of projects that every academic officer should handle, taking into account the magnitude of each project to ensure that quality time and effort are devoted to individual projects during implementation and, in addition to peer review of outputs, enhance quality control by monitoring data on book sales, book reviews and quotations through the UNU Press (para. 45);

(g) Obtain a higher number of qualified applicants to improve its chances of getting the best fellows and, at the same time, obtain its targeted number and the required geographic representation within the available resources (para. 49).

B. Financial issues

1. Financial overview

Endowment Fund

11. Starting with the biennium 2000-2001, the Administration adopted a "total return" investment strategy which allows it to adopt a maximum spending level for the biennium equivalent to 5 per cent of the five-year average of the market value of the Endowment Fund. This means that the amount that can be used by UNU out of the Endowment Fund for its operations is independent of the interest income and the capital gain/loss of the Fund. This change in the investment strategy was aimed at providing a stable income for research activities over time.

12. A comparative analysis of the Endowment Fund financial statements for the bienniums 1998-1999 and 2000-2001 showed that the fund balance decreased by 14 per cent from $293.1 million at 31 December 1999 to $253.2 million at 31 December 2001. In the biennium 1998-1999, the Fund's income exceeded losses and other expenditures by $43.9 million, which was more than enough to cover the amount of $31 million transferred to the Operating Fund. In the biennium 2000-2001, the Fund's income had a shortfall of $9.2 million, while the amount transferred to the Operating Fund was $30 million, thus, reducing the Fund balance by $39 million.

13. Analysis of transactions for both bienniums showed that interest income decreased by $10.6 million (35 per cent); gain on sale of securities by $5.3 million (32 per cent). In comparison, loss on sale of securities increased from $4.8 million to $20.6 million (329 per cent) and loss on foreign exchange revaluation increased from $1.5 million to $21.6 million.

14. The decrease in cash and term deposits was due to the change in policy in respect of the asset allocation of the investment portfolio, from 15 per cent cash allocation ratio to 5 per cent. For the biennium 2000-2001, the cash allocation ratio was only 3 per cent instead of the required 5 per cent. Voluntary contributions decreased from $0.4 million in 1999 to $0.3 million in 2001.

Operating Fund

15. Voluntary contributions increased from $29.3 million in the biennium 1998-1999 to $30.4 million in 2000-2001. Other sources of funds for operations are transfers from the Endowment Fund, which amounted to $30.0 million for the biennium 2000-2001. Staff and other personnel costs comprised the major expenditure portion (41 per cent) of the Operating Fund expenditures from $25.4 million in the biennium 1998-1999 to $26.8 in 2000-2001, an increase of 6 per cent. Research expenditures, which represent 40 per cent of total expenditures of the Operating Fund, have been consistently increasing from $24.7 million in the biennium 1998-1999 to $26.4 million in 2000-2001. Out of the eight research and training centres, two are in critical financial condition. One had a total income of $27,000 with expenditures of $1,388,000, while another had $2,802,000 and $2,880,000, respectively. These two centres have fund balances of $3,000 and zero as at the end of the biennium.

2. United Nations system accounting standards

16. The Board assessed the extent to which the University's financial statements for the biennium 2000-2001 conformed to the United Nations system accounting standards (A/51/523). The review indicated that the presentation of the financial statements was generally consistent with the standards.

3. Unpaid pledges

17. The Board for the biennium 1998-1999, qualified its audit opinion on the "value of unpaid pledged contributions for which the Board considered that a provision for long-outstanding pledges should have been made". For the biennium 2000-2001, the Board reviewed the policy adopted by the Administration vis-à-vis the United Nations system accounting standards.

18. The Board noted that the Administration's current policy is to follow up on all outstanding pledges and to write off those which have no reasonable chance of collection, that is, when it has been established that the Member State or donor is no longer willing or able to fulfil its pledge. During the biennium 2000-2001, the Administration, with the approval of the United Nations Controller, took the initiative to write off two long-outstanding pledges totalling $3.8 million as at 31 December 2001. Out of the total unpaid pledges of $7.3 million, the amount of $3.03 million, or 41 per cent, from one Member State has been outstanding and inactive for more than 10 years.

19. The Administration informed the Board that it has been continuously monitoring the status of unpaid pledges and actively negotiating with donor Governments, who have affirmed their willingness to move forward with the final payment against their pledge to the Endowment Fund.

20. The Board confirmed that the UNU policy of writing off long-outstanding pledges is consistent with the United Nations system accounting standards, which provide, in paragraph 33, an option to make a provision as appropriate where the collection of the income is considered doubtful or to directly write off specific cases of uncollectible pledges.

4. Establishment of new research and training centres and programmes

21. The Board noted that among the new initiatives of the Administration is the conduct of six feasibility studies as a requirement to the establishment of six more research and training centres and programmes. Three of the studies have been already completed. These initiatives were anchored on the Administration's mandate to be an "international community of scholars" as defined in the charter of the University.

22. These initiatives occurred at a time when the earning capacity of the Endowment Fund was declining, as shown by the financial statements as at 31 December 2001. In fact, two of the research and training centres (UNU/INRA and UNU/INWEH) are in critical financial condition, as noted in paragraph 15 above. The Board is concerned that the establishment of new centres and programmes could create sustainability problems and additional workload for the same number of administrative staff.

23. The Administration informed the Board that the impact of new centres and programmes on its financial and human resources is an issue that it reviews jointly with the UNU Council. The Administration also informed the Board that the Council would establish new centres or programmes only when sufficient resources are made available by the host Governments for the work of the proposed centres or programmes. If sufficient funding is not available, the Administration would recommend to the UNU Council that they be closed. Such a situation should not, however, preclude the establishment of new centres or programmes that have assured long-term funding.

24. **The Board, nevertheless, recommends that the Administration consider existing resources in deciding to establish additional research and training centres and programmes.**

5. Failed fund-raising activity

25. The UNU/International Network for Water, Environment and Health (INWEH) is a growing, interdisciplinary and global network of water pollution and management experts, non-governmental organizations, academic institutions, United Nations and other multilateral bodies and private sector companies. In order to help to establish a financial base for INWEH, UNU paid $332,898 to a contractor selected by INWEH to raise funds for one of its projects.

26. This approach to fund-raising was tabled at the meeting of the Bureau of the UNU Council at its July 2000 meeting. Aware that the campaign was a calculated risk, the Bureau agreed that the campaign should be pursued given its potential to mobilize contributions. However, as at 31 December 2001, the contractor had not generated the contributions through the activity. It was only in January 2002 that an amount of $17,963 was received, resulting in a loss of $314,935 as at the time of the audit in April 2002.

27. To keep INWEH operational, it was necessary for UNU headquarters to temporarily shoulder its expenditures in the amount of $0.6 million, pending receipt of contributions.

28. **The Board recommended and UNU agreed that the track record of a contractor for any fund-raising activity should be thoroughly reviewed and**

verified, especially that which calls for the creation of a trust outside of the UNU organizational structure. The Board also recommends that UNU assess the financial condition of the International Network for Water, Environment and Health to determine if it is still capable of financing its own operations.

29. The Administration further informed the Board that the UNU Council and the Administration have decided not to enter into any additional fund-raising campaigns of this type. A number of fund-raising activities, at no cost to UNU, are being continued in an effort to recover some or all of the money spent on the campaign.

30. The Administration also informed the Board that, together with the UNU Council, they are very much aware and concerned about the financial situation of UNU/INWEH. The issue of assured long-term funding is being raised at high political levels within the donor Government, and the Administration is cognizant that, without assured long-term funding, it will be necessary to close down the Network.

6. Financial, Budgetary and Personnel Management System

Control over allotments

31. The Board reviewed the process by which the International Institute for Software Technology's (IIST) approved budget, allotments and obligations are captured by the Financial, Budgetary and Personnel Management System to determine whether or not controls are in place to ensure that expenditures do not exceed allotments. The Board noted that IIST recorded budget and allotments into the system per object of expenditure instead of per project, per object. This manner of recording did not enable the accumulation of the amounts per project. The same procedures are followed for expenditures where control is made against the total allotment for a particular object of expenditure and not against a specific project allocation for an object of expenditure. As at April 2002, recorded expenditures for the biennium 2000-2001 have exceeded allotments by $0.19 million.

32. Review of the system showed that it accepts obligations, even if there were no more available allotments for a particular object of expenditure. The system does not indicate to the user that the proposed obligation can no longer be funded. This observation is common in the UNU system because the Financial, Budgetary and Personnel Management System is used system-wide.

33. **The Board recommends that the International Institute for Software Technology prepare the budget and record expenditures per project, per object of expenditure and accordingly enter the data in the Financial, Budgetary and Personnel Management System. UNU headquarters should consider enhancing the System to allow it to reject obligations in excess of allotments at data entry.**

34. The Administration commented that it would continue to examine ways to prepare budget and expenditure records university-wide, both by project and by object of expenditure, and that it would consider the possibility of enhancing the Financial, Budgetary and Personnel Management System in relation to allotments. Such consideration will, however, need to take into account the need to maintain the flexibility of the system and to keep to a minimum the costs required for additional modifications to the system.

7. Financial reporting on projects

35. The UNU Council requires the UNU research and training centres to report on the status of implementation of programmes and projects containing information on the substantive accomplishments, as well as budgetary provisions and total expenditures to date, accumulated per project.

36. The existing financial reporting system of UNU and its research and training centres summarizes all project expenditures through one account in the financial statements "research and training networks, and dissemination". Budget provisions and total expenditures for projects are captured by the Financial, Budgetary and Personnel Management System on a per project basis, except the salaries of researchers which are funded out of core funds. The salaries of researchers were not captured by the system in costing projects because there is no existing policy allocating their services in terms of person-days, person-weeks, or person-months to projects. It could not be determined how much of these amounts are identifiable with the project.

37. **The Board recommends that UNU initiate a system-wide policy to include the salaries of researchers in costing projects and the adoption of an allocation ratio, in the event that a researcher works on several projects.**

38. The Administration commented that it would continue to study the issue and that, in reviewing the total project costs at the conclusion of projects, would seek to include the salaries of researchers in costing projects and the adoption of an allocation ratio, in the event that a researcher works on several projects, and would develop a system-wide policy to that effect.

8. Write-off of losses of cash, receivables and property

39. The Administration informed the Board that there were long-outstanding pledges and advances receivable, and property written off during the biennium, amounting to $3.8 million, and $0.6 million, respectively.

9. Ex gratia payments

40. The Administration reported that no ex gratia payments had been made during the biennium.

C. Management issues

1. Programme/project management

Financial management of projects

41. The Board's review of 41 disbursement documents of UNU/IIST showed that during the biennium expenditures were incurred and controlled without reference to the particular programme/project because projects developed did not have specific budgets in the Financial, Budgetary and Personnel Management System. The Administrative and Programme Services Officer monitors expenditures against the budget at the object of expenditure level, instead of at the project level, while the academic officers who manage the different projects were not involved in the expenditure monitoring of their respective projects. The academic officers' lack of

involvement in project financial management was also observed in UNU/INTECH. In both research and training centres, they were not given read-only access to the System with respect to the fund balances of their respective projects.

42. **The Board recommends that UNU ensure that the research and training centres and programmes prepare their budgets in a manner that will allow the projects to accumulate expenditures by project and by object of expenditure and utilize the capability of the Financial, Budgetary and Personnel Management System for that purpose. The academic staff should also be provided with read-only access to the System with respect to the fund balances of their respective projects.**

Programme staffing and monitoring of outputs acceptability

43. The Board noted that the Administration does not have a policy standardizing the optimal number or the magnitude of projects that should be handled by an academic officer. In the previous biennium, the Board also noted that an assessment contained in the UNU Strategic Plan of the programmes declared severe understaffing as one of the programme's major weaknesses with each officer responsible for from three to seven projects.

44. The Board is concerned that with this condition the quality of the research outputs produced may be adversely affected. Although there is a peer review process, which monitors the acceptability of output quality, the Board observed that there is no feedback mechanism regarding the acceptability of the outputs by the international community. There is no regular monitoring of book sales, book reviews and quotations, which could be useful in assessing the impact of research outputs.

45. **The Board recommended, and the Administration agreed, that the standard number of projects that every academic officer should handle should be reviewed, taking into account the magnitude of each project to ensure that quality time and effort are devoted to individual projects during implementation. The Board also recommended that, in addition to peer-review of outputs, UNU further enhance quality control by monitoring data on book sales, book reviews and quotations through the UNU Press.**

46. The Administration agreed that it would be useful to come to a better understanding of the optimal number of projects or the magnitude of project activity that each officer should handle. Indeed, the need to generate products of high quality and to produce substantial quantity of output has to be balanced. The feedback mechanism to determine quality of outputs can be strengthened by allowing the UNU Press to collect statistical data on book sales, book reviews and quotations.

2. Capacity-building programme

Fellowship grantees

47. The capacity-building programme aims to enhance the capacity of individuals and institutions in developing countries. Its programmes are implemented through training and degree courses participated in by young individuals, particularly those from developing countries, in cooperation with academic institutions.

48. The Board's review of nine training programmes of UNU headquarters showed that seven have not met the targeted number of 108 fellowship grantees, four of

which have not also met the geographical representation requirement. There were two more training programmes, where the geographical representation requirement was also not met. The Board is concerned that the Administration has not fully addressed the accessibility to information by potential qualified applicants of its capacity-building programmes.

49. **The Board recommends that the Administration obtain a higher number of qualified applicants to improve its chances of getting the best fellows and, at the same time, obtain its targeted number and the required geographic representation within the available resources.**

50. The Administration informed the Board that consideration of geographic representation and gender balance, as well as ensuring the highest possible quality of the final candidates, meant that the full target number of fellowships could not be awarded in a particular year. With the human and financial resources available at the UNU headquarters, the Administration depends on close partnership with other academic institutions to attain its capacity development goals. The Administration has also reorganized its web-based information on capacity development programmes to improve accessibility of this information by potential applicant. The Administration will continue to seek to increase the number of applicants for UNU fellowships.

3. Cases of fraud and presumptive fraud

51. The Administration informed the Board that no case of fraud or presumptive fraud had come to its notice during the biennium 2000-2001.

D. Acknowledgement

52. The Board of Auditors wishes to express its appreciation for the cooperation and assistance extended to the auditors by the Rector and his officers and staff.

(*Signed*) Shauket A. **Fakie**
Auditor-General, Republic of South Africa

(*Signed*) Guillermo N. **Carague**
Chairman, Philippine Commission on Audit

(*Signed*) François **Logerot**
First President, Court of Accounts of France

27 June 2002

Annex

Follow-up on action taken by the United Nations University to implement the recommendations of the Board of Auditors in its report for the biennium ended 31 December 1999*

The Board has followed up on the action taken by the Administration to implement the recommendations of the Board made in its report for the financial period ended 31 December 1999. Table A.1 summarizes the implementation of all the previous recommendations and table A.2 details those recommendations under implementation which require further comments from the Board.

Of the six audit recommendations contained in the report of the Board of Auditors on the accounts of the United Nations University for the period from 1 January 1998 to 31 December 1999, three (50 per cent) were fully implemented and three (50 per cent) were partially implemented.

Table A.1
Summary of status of implementation of recommendations for the biennium 1998-1999

Topic	*Implemented*	*Under implementation*	*Not implemented*	*Total*
A. Financial statement presentation	Para. 13			
Gain on sale of securities and equities	Para. 16 (write-off of long-outstanding pledges)[a]			
Unpaid pledges				
B. Consultants and institutional contractors	Para. 22			
Procurement				
Procurement plan	Para. 31	Para. 26		
Request for quotation		Para. 36		
Total				
Number	**4**	**2**	-	**6**
Percentage	**67**	**33**	-	**100**

[a] The Administration adopts the alternative option as provided in paragraph 33 of the United Nations system accounting standards to directly write off cases of uncollectible pledges.

* *Official Records of the General Assembly, Fifty-fifth Session, Supplement No. 5* (A/55/5), vol. IV.

Table A.2
Details on previous recommendations under implementation or not implemented for the biennium 1998-1999

Management			
Component/area of concern	*Recommendation*	*As at 30 April 2002 Specific management action comments*	*Comments of the Board*
Programme management, para. 26	In accepting new projects, UNU should ensure that it secure sufficient staff resources to manage the projects.	Programme heads continue to ensure that sufficient funding for necessary staff resources are included in the budgets for new projects. Once funding has been secured, recruitment of appropriate project personnel is undertaken.	Under implementation. Related comments in paras. 21-24, and 43-46.
Procurement, Para. 31	The Administration should prepare in advance annual procurement plans to ensure competitive bidding for goods and services.	The Administration continues to monitor major recurring expenditure for computer items.	Under implementation. The Board will continue to monitor full compliance with the recommendation in future audits.
Procurement, para. 36	The University should adhere to the procedures for tendering as laid down in the United Nations Procurement Manual for purchases under $25,000 as well as for purchases in excess of $25,000.	A request for quotation is issued for purchases below $25,000. An instruction was issued to create a web page on the UNU web site containing the invitation to bid for purchases in excess of $25,000 in lieu of newspaper ads and information in public forum. The projected completion period is two months.	Under implementation. The Board will continue to monitor full compliance with the recommendation in future audits.

Chapter III
Audit opinion

We have audited the accompanying financial statements, comprising statements I to IV and the supporting notes of the United Nations University (UNU) for the financial period ended 31 December 2001. These financial statements are the responsibility of the Rector. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the common auditing standards of the Panel of External Auditors of the United Nations, the specialized agencies and the International Atomic Energy Agency. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, and as considered by the auditor to be necessary in the circumstances, evidences supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Rector as well as evaluating the presentation of the overall financial statements. We believe our audit provides a reasonable basis for the audit opinion.

In our opinion, these financial statements present fairly the financial position of UNU as at 31 December 2001 and the results of its operations and cash flows for the period then ended in accordance with stated accounting policies set out in note 2 to the financial statements, which were applied on a basis consistent with that of the preceding financial period.

Further, in our opinion, the transactions of UNU which we have tested as part of our audit have, in all significant respects, been in accordance with the Financial Regulations and legislative authority.

In accordance with article XII of the Financial Regulations, we have also issued a long-form report on our audit of the financial statements of the UNU.

(*Signed*) Shauket A. **Fakie**
Auditor-General, Republic of South Africa

(*Signed*) Guillermo N. **Carague**
Chairman, Philippine Commission on Audit

(*Signed*) François **Logerot**
First President, Court of Accounts of France

27 June 2002

Chapter IV
Certification of the financial statements

10 May 2002

1. The financial statements of the United Nations University for the biennium ending 31 December 2001 have been prepared in accordance with financial rule 111.4.

2. The summary of significant accounting policies applied in the preparation of these statements is included as notes to the financial statements. These notes provide additional information and clarification of the financial activities undertaken by the Organization during the period covered by these statements, for which the Secretary-General has administrative responsibility.

3. I certify that the appended financial statements of the United Nations University, numbered I to IV are correct.

(*Signed*) Jean-Pierre **Halbwachs**
Assistant Secretary-General, Controller

Chapter V

Financial statements for the biennium ending 31 December 2001

Statement I

UNITED NATIONS UNIVERSITY

Statement of income and expenditure and changes in reserves and fund balances

for the biennium 2000-2001 ending 31 December 2001

(Thousands of United States dollars)

	UNU/HQ Operating Fund	UNU/WIDER Operating Fund	UNU/INTECH Operating Fund	UNU/BNI Operating Fund	UNU/INRA Operating Fund
Income					
Voluntary Contributions	14,260	718	2,554	160	20
Interest income	3,002	75	85	50	-
Income for services rendered	2,387	-	-	-	-
Other/Miscellaneous income					
Sales income and royalties from publications	243	18	-	-	-
Miscellaneous income	82	29	25	13	7
Total Income	**19,974**	**840**	**2,664**	**221**	**27**
Expenditure					
Staff and other personnel costs	15,199	1,876	2,688	1,981	826
Travel	941	61	67	78	115
Contractual services	378	51	42	16	22
Operating expenses	2,080	322	409	350	72
Acquisitions	490	197	138	160	41
UNU HQ building	4,484	-	-	-	-
Research and training networks, and dissemination	13,987	2,500	1,148	1,154	312
Total Expenditure	**37,559**	**5,007**	**4,492**	**3,739**	**1,388**
Excess (shortfall) of income over expenditure	**(17,585)**	**(4,167)**	**(1,828)**	**(3,518)**	**(1,361)**
Savings on, or cancellation of, prior period's obligations	1,158	754	187	76	77
Transfers (to) from other funds	17,462	4,981	2,124	4,000	402
Other adjustments to reserves and fund balances	(1,210)	-	-	-	(1,284)
Other adjustments - Reinvestment	-	-	-	-	
Reserves and fund balances, beginning of period	24,411	5,723	2,480	1,729	2,169
Reserves and fund balances, end of period	**24,236**	**7,291**	**2,963**	**2,377**	**3**

UNITED NATIONS UNIVERSITY

Statement of income and expenditure and changes in reserves and fund balances
for the biennium 2000-2001 ending 31 December 2001
(Thousands of United States dollars)

	UNU/IAS Operating Fund	UNU/BIOLAC Operating Fund	UNU/LA Operating Fund	UNU/INWEH Operating Fund
Income				
Voluntary Contributions	7,703	-	2,169	2,788
Interest income	-	-	-	12
Income for services rendered	-	-	-	-
Other/Miscellaneous income				
Sales income and royalties from publications	-	-	-	-
Miscellaneous income	2	3	57	2
Total Income	**7,705**	**3**	**2,226**	**2,802**
Expenditure				
Staff and other personnel costs	3,054	-	913	248
Travel	164	-	175	52
Contractual services	183	-	11	4
Operating expenses	968	-	93	400
Acquisitions	140	-	105	28
UNU HQ building	-	-	-	-
Research and training networks, and dissemination	3,738	657	755	2,148
Total Expenditure	**8,247**	**657**	**2,052**	**2,880**
Excess (shortfall) of income over expenditure	**(542)**	**(654)**	**174**	**(78)**
Savings on, or cancellation of, prior period's obligations	331	63	33	100
Transfers (to) from other funds	-	945	-	-
Other adjustments to reserves and fund balances	(520)	-	-	(30)
Other adjustments: Reinvestment	-	-	-	-
Reserves and fund balances, beginning of period	1,770	137	368	8
Reserves and fund balances, end of period	**1,039**	**491**	**575**	**-**

Statement I
(concluded)

UNITED NATIONS UNIVERSITY

Statement of income and expenditure and changes in reserves and fund balances
for the biennium 2000-2001 ending 31 December 2001
(Thousands of United States dollars)

	Total Operating Fund		Total Endowment Fund		Grand Total	
	2001	1999	2001	1999	2001	1999
Income						
Voluntary contributions	10,372	29,252	268	407	30,640 a/	29,659
Interest income	3,224	2,432	20,150	30,768	23,374	33,200
Income for services rendered	2,387	2,099	-	-	2,387	2,099
Other Miscellaneous income						
Sales income and royalties from publications	261	386	-	-	261	386
Miscellaneous income	218	1,377	14,004 b/	20,685	14,222	22,062
Total Income	**36,462**	**35,546**	**34,422**	**51,859**	**70,884**	**87,406**
Expenditure						
Staff and other personnel costs	26,785	25,359	-	-	26,785	25,359
Travel	1,653	2,190	-	-	1,653	2,190
Contractual services	707	838	-	-	707	838
Operating expenses	4,694 c/	3,173	43,594 d/	7,916	48,288	11,089
Acquisitions	1,299	1,672	-	-	1,299	1,672
UNU HQ building	4,484	4,222			4,484	4,222
Research and training networks, and dissemination	26,399	24,668	-	-	26,399	24,668
Total Expenditure	**66,021**	**62,122**	**43,594**	**7,916**	**109,615**	**70,038**
Excess (shortfall) of income over expenditure	**(29,559)**	**(26,576)**	**(9,172)**	**43,944**	**(38,731)**	**17,368**
Savings on, or cancellation of, prior period's obligations	2,779	2,959	-	-	2,779	2,959
Transfers (to) from other funds e/	30,004	30,768	(30,004)	(30,768)	-	-
Other adjustments to reserves and fund balance f/	(3,044)	-	(779)	-	(3,823)	-
Other adjustments: Reinvestment g/	-	(1,464)	-	1,464		-
Reserves and fund balances, beginning of period	38,795	33,108	293,110	278,470	331,905	311,578
Reserves and fund balances, end of period	**38,975**	**38,795**	**253,155**	**293,110**	**292,130**	**331,905**

a/ Represents voluntary contributions from governments of $22,395,552 and other voluntary contributions in the amount of $8,245,651.

b/ Represents gain on sale of securities and equities in the amount of $14,004,097.

c/ Includes loss on exchange in the amount of $1,361,550.

d/ Represents loss on foreign exchange revaluation of $21,606,401, loss on sale of securities of $20,633,764 and investment management fees of $1,353,931.

e/ See Note 2(k)(iv).

f/ Represents write-offs of pledges $3,822,753.

g/ See Note 2(k)(v).

The accompanying notes are an integral part of the financial statements.

UNITED NATIONS UNIVERSITY

Statement of assets, liabilities, reserves and fund balances as at 31 December 2001

(Thousands of United States dollars)

	UNU/HQ Operating Fund	UNU/WIDER Operating Fund	UNU/INTECH Operating Fund	UNU/MIST Operating Fund	UNU/INRA Operating Fund	UNU/IAS Operating Fund	UNU/BIOLAC Operating Fund	UNU/LA Operating Fund	UNU/INWEH Operating Fund
Assets									
Cash and term deposits	14,188	521	551	358	-	-		12	49
Long term investments	-	-		-	-	-		-	
Cash pool	21,956	433	-	17	-	-		-	
Voluntary contributions receivable	650	-	-	-	-	-		-	
Inter-fund balances receivable	-	7,261	2,847	1,741	1,089	-		125	
Other accounts receivable	1,487	498	49	451	215	1,690	4,021	-	
Deferred charges and other assets	51	0	11	22	0	1		589	320
								12	
Total Assets	**38,332**	**8,713**	**3,458**	**2,589**	**1,304**	**1,691**	**4,021**	**738**	**369**
Liabilities									
Unliquidated obligations	3,872	1,415	495	209	115	642	222	159	128
Inter-fund balances payable	1,557	-	-	-	-	-	3,308	-	
Other accounts payable	8,667	7	-	3	1,186	10		4	41
Other liabilities	-	-	-	-	-	-		-	
Total Liabilities	**14,096**	**1,422**	**495**	**212**	**1,301**	**652**	**3,530**	**163**	**369**
Reserves and fund balances									
Fund principal	-	-	-	-	-	-		-	
Authorized retained surplus	-	400		-	-	-		-	
Cumulative surplus (deficit)	20,103	6,522	3,458	2,314	(30)	736	474	440	(93)
Balances related to projects funded by donors	4,133	369	505	63	33	303	17	135	81
Total reserves and fund balances	**24,236**	**7,291**	**2,963**	**2,377**	**3**	**1,039**	**491**	**575**	-
Total liabilities, reserves and fund balances	**38,332**	**8,713**	**3,458**	**2,589**	**1,304**	**1,691**	**4,021**	**738**	**369**

Statement II
(concluded)

UNITED NATIONS UNIVERSITY

Statement of assets, liabilities, reserves and fund balances as at 31 December 2001
(Thousands of United States dollars)

	Total Operating Fund		Total Endowment Fund		Interfunds	Grand Total	
	2001	1999	2001	1999	Elimination	2001	1999
Assets							
Cash and term deposits	15,679 a/	34,690	7,077 b/	42,352	-	22,756	77,042
Long term investments	-	-	245,321 c/	246,768	-	245,321	246,768
Cash pool	22,406 d/	-	-	-	-	22,406	-
Voluntary contributions receivable	775	3,044	6,478	7,507	-	7,253	10,551
Inter-fund balances receivable	12,938	10,991	641	5,715	(13,579)	-	-
Other accounts receivable	9,320	8,929	2,377	4,550	-	11,697	13,479
Deferred charges and other assets	97	91	-	-	-	97	91
Total Assets	**61,215**	**57,745**	**261,894**	**306,892**	**(13,579)**	**309,530**	**347,931**
Liabilities							
Unliquidated obligations	7,457	7,405	-	-	-	7,457	7,405
Inter-fund balances payable	4,865	3,024	8,714	13,682	(13,579)	-	
Other accounts payable	9,918	8,521	-	-	-	9,918	8,521
Other liabilities	-	-	25	100	-	25	100
Total Liabilities	**22,240**	**18,950**	**8,739**	**13,782**	**(13,579)**	**17,400**	**16,026**
Reserves and fund balances							
Fund principal	-	-	253,155	293,110	-	253,155	293,110
Authorized retained surplus	400	851	-	-	-	400	851
Cumulative surplus (deficit)	32,936	32,198	-	-	-	32,936	32,198
Balances related to projects funded by donors	5,639	5,746	-	-	-	5,639	5,746
Total reserves and fund balances	**38,975**	**38,795**	**253,155**	**293,110**	-	**292,130**	**331,905**
Total liabilities, reserves and fund balances	**61,215**	**57,745**	**261,894**	**306,892**	**(13,579)**	**309,530**	**347,931**

a/ Includes interest bearing bank deposits of $11,379,353.

b/ Represents investments in cash and deposits managed by the UN Investment Management Service, which are interest bearing bank deposits of $7,077,337.

c/ Comprises investments in bonds and equities managed by the UN Investment Management Service. The market value of long term investments amounts $257,440,796.

d/ Represents share of the United Nations Offices Away from Headquarters (OAH) Cash Pool and comprises cash and term deposits of $4,832,042, long-term investments of $17,424,987 (market value $17,685,864) and accrued interest receivable of $148,866.

The accompanying notes are an integral part of the financial statements.

Schedule 2.1

UNITED NATIONS UNIVERSITY

Combined status of pledges unpaid as at 31 December 2001

(Thousands of United States dollars)

Operating Funds	Unpaid pledges as at 1 January 2000	Add: Pledges for 2000-2001 and adjustments	Add: Pledges for future years	Less: Collection during 2000-2001	Add: Gain (Loss) on exchange	Unpaid pledges as at 31 December 2001
UNU/Headquarters						
a) Government donations						
Greece	-	94	-	94	-	
Japan	-	9,382	-	8,732	-	650
Trinidad and Tobago	-	2	-	2	-	-
Subtotal	-	9,478	-	8,828	-	650
b) Public donations						
Asian Women's Fund (Japan)	-	343	-	343	-	-
Australian National University	-	30	-	30	-	-
Fortis (Netherlands)	-	27	-	27	-	-
Global Environment Facility (USA)	-	1,353	-	1,353	-	-
Hiratsuka & Partners	-	100	-	100	-	-
International Course Participants	-	64	-	64	-	-
Iwate Prefectural Government	-	85	-	85	-	-
Japan Fundation for UNU	-	447	-	447	-	-
Kirin Brewery Co. Ltd.	-	564	-	564	-	-
Organizing Committee for Global Seminar	-	83	-	83	-	-
Shimizu Co.	-	241	-	241	-	-
UNEP	-	1,039	-	1,039	-	-
UNESCO (France)	-	73	-	73	-	-
United Nations	-	78	-	78	-	-
Others	-	255	-	255	-	-
Subtotal	-	4,782	-	4,782	-	-
UNU/HQ TOTAL	-	14,260	-	13,610	-	650
UNU/WIDER						
a) Government donations						
Denmark	-	176	-	176	-	-
Finland	-	137	-	137	-	-
Norway	-	197	-	197	-	-
Sweden	-	99	-	99	-	-
United Kingdom	-	28	-	28	-	-
Subtotal	-	637	-	637	-	-
b) Public donations						
UNOPS	-	56	-	56	-	-
Others	-	25	-	25	-	-
Subtotal	-	81	-	81	-	-
UNU/WIDER TOTAL	-	718	-	718	-	-

Schedule 2.1
(continued)

UNITED NATIONS UNIVERSITY

Combined status of pledges unpaid as at 31 December 2001
(Thousands of United States dollars)

Operating Funds	Unpaid pledges as at 1 January 2000	Add: Pledges for 2000-2001 and adjustments	Add: Pledges for future years	Less: Collection during 2000-2001	Add: Gain (Loss) on exchange	Unpaid pledges as at 31 December 2001
UNU/INTECH						
a) Government donations						
Netherlands		1,926	-	1,926	-	-
Subtotal		1,926	-	1,926	-	-
b) Public donations						
European Commission		509	-	509	-	-
International Development Research Centre		38	-	38	-	-
Others		81	-	81	-	-
Subtotal		628	-	628	-	-
UNU/INTECH TOTAL		2,554	-	2,554	-	-
UNU/IIST						
a) Government donations						
Macau		126	-	126	-	-
Subtotal		126	-	126	-	-
b) Public donations						
Others		34	-	34	-	-
Subtotal		34	-	34	-	-
UNU/IIST TOTAL		160	-	160	-	-
UNU/INRA						
a) Government donations						
France	3,044	(3,044) a/	-	-	-	-
Subtotal	3,044	(3,044)	-	-	-	-
b) Public donations						
Others	-	20	-	20	-	-
Subtotal		20	-	20	-	-
UNU/INRA TOTAL	3,044	(3,024)	-	20	-	-
UNU/IAS						
a) Government donations						
Finland		33	-	33	-	
Japan		6,600	-	6,600	-	
Subtotal		6,633	-	6,633	-	

Schedule 2.1
(continued)

UNITED NATIONS UNIVERSITY

Combined status of pledges unpaid as at 31 December 2001
(Thousands of United States dollars)

Operating Funds	Unpaid pledges as at 1 January 2000	Add Pledges for 2000-2001 and adjustments	Add Pledges for future years	Less Collection during 2000-2001	Add Gain (Loss) on exchange	Unpaid pledges as at 31 December 2001
b) Public donations						
Arab Fund for Economic and Social Development	-	310	-	310	-	-
ASCII	-	108	-	108	-	-
Ford Foundation	-	100	-	100	-	-
Centre for Environmental Information	-	64	-	64	-	-
Ishikawa Foundation for Int'l Exchange	-	247	-	247	-	-
National Institute for Environmental Studies	-	111	-	111	-	-
Rockefeller Foundation	-	50	-	50	-	-
Others	-	80	-	80	-	-
Subtotal	-	1,070	-	1,070	-	-
UNU/IAS TOTAL	-	7,703	-	7,703	-	-
UNU/LA						
a) Government donations						
Canada	-	3	-	3	-	-
Jordan	-	2,030	-	1,905	-	125
Norway	-	95	-	95	-	-
Subtotal	-	2,128	-	2,003	-	125
b) Public donations						
UNDP	-	30	-	30	-	-
Others	-	11	-	11	-	-
Subtotal	-	41	-	41	-	-
UNU/ILA TOTAL	-	2,169	-	2,044	-	125
UNU/INWEH						
a) Government donations						
Canada	-	1,168	-	1,168	-	-
Uganda	-	32	-	32	-	-
Subtotal	-	1,200	-	1,200	-	-
b) Public donations						
Arab-Gulf Programme for UNDP	-	45	-	45	-	-
Comision Nacional Del Aqua (CAN)	-	154	-	154	-	-
Junta de Aqua y Saneamento de Juarez (Jai	-	465	-	465	-	-
Int'l Bank for Reconstruction & Development	-	457	-	457	-	-
UN/DESA	-	378	-	378	-	-
UNESCO	-	35	-	35	-	-
Others	-	55	-	55	-	-
Subtotal	-	1,589	-	1,589	-	-
UNU/INWEH TOTAL	-	2,789	-	2,789	-	-
OPERATING TOTAL	3,044	27,329	-	29,598	-	775

Schedule 2.1
(concluded)

UNITED NATIONS UNIVERSITY

Combined status of pledges unpaid as at 31 December 2001

(Thousands of United States dollars)

Endowment Fund	Unpaid pledges as at 1 January 2000	Add Pledges for 2000-2001 and adjustments	Add: Pledges for future years	Less: Collection during 2000-2001	Add Gain (Loss) on exchange	Unpaid pledges as at 31 December 2001
Austria	-	192	-	192	-	-
Ghana	3,550	-	-	100	-	3,450
India	175	-	-	150	-	25
United Republic of Tanzania	20	(20) a/	-	-	-	-
Venezuela	3,003	-	-	-	-	3,003
Zambia	759	(759) a/	-	-	-	-
ENDOWMENT TOTAL	7,507	(587)	-	442	-	6,478
GRAND TOTAL	10,551 b/	26,742	-	30,040	-	7,253

a/ Long-outstanding pledges written off during the biennium 2000-2001

b/ Represents total unpaid pledges of $10,551,241 as at 31 December 1999

UNITED NATIONS UNIVERSITY a/

Statement of cash flows for the biennium 2000-2001 ending 31 December 2001

(Thousands of United States dollars)

	UNU/HQ Operating Fund	UNU/WIDER Operating Fund	UNU/INTECH Operating Fund	UNU/BIOST Operating Fund	UNU/INRA Operating Fund	UNU/IAS Operating Fund	UNU/BIOLAC Operating Fund	UNU/LA Operating Fund	UNU/INWEH Operating Fund
Cash flows from operating activities									
Net excess (short fall) of income over expenditure (Statement I)	(17,585)	(4,167)	(1,828)	(3,518)	(1,361)	(542)	(654)	174	(78)
(Increase) decrease in contributions receivable	(650)		-	-	3,046		-	(125)	-
(Increase) decrease in other accounts receivable	3,532	(438)	9	(426)	(199)	1,247	(4,019)	5	(102)
(Increase) decrease in other assets	(43)	14	16	28	-	(1)	-	(12)	-
Increase (decrease) in unliquidated obligations	424	218	116	(17)	(46)	(525)	128	(67)	(179)
Increase (decrease) in accounts payable	4,041	(545)	(851)	(454)	(331)	10	(518)	4	43
Increase (decrease) in other liabilities	-	-	-	-	-	-	-	-	-
Less: Interest income	(3,002)	(75)	(85)	(50)	-	-	-	-	(12)
Net cash from operating activities	**(13,283)**	**(4,993)**	**(2,623)**	**(4,445)**	**1,107**	**189**	**(5,063)**	**(21)**	**(330)**
Cash flows from investing and financing activities									
(Increase) decrease in long-term investments	-	-	-	-	-	-	-		
(Increase) decrease in cash pool	(21,956)	(433)		(17)	-	-	-		
(Increase) decrease in inter-fund balances receivable	-	(1,299)	(475)	(618)	(302)	-	747		
Increase (decrease) in inter-fund balances payable	(1,467)	-	-	-	-	-	3,308		
Plus: Interest income	3,002	75	85	50	-	-	-	-	12
Net cash from investing and financing	**(20,421)**	**(1,657)**	**(390)**	**(585)**	**(302)**	**-**	**4,055**	**-**	**12**
Cash flows from other sources									
Savings on, or cancellation of, prior periods' obligations	1,158	754	187	76	77	331	63	33	160
Transfers to (from) other funds	17,462	4,991	2,124	4,090	402		945		
Other adjustments to reserves and fund balances	(1,210)	-	-	-	(1,284)	(520)	-		(88)
Other adjustments: Reinvestment	-	-	-	-	-	-	-		
Net cash from other sources	**17,410**	**5,745**	**2,311**	**4,166**	**(805)**	**(189)**	**1,008**	**33**	**70**
Net increase (decrease) in cash and term deposits	**(16,294)**	**(915)**	**(702)**	**(864)**	**-**	**-**	**-**	**12**	**(248)**
Cash and term deposits, beginning of period	**30,482**	**1,436**	**1,253**	**1,222**	**-**	**-**	**-**	**-**	**297**
Cash and term deposits, end of period	**14,188**	**521**	**551**	**358**	**-**	**-**	**-**	**12**	**49**

UNITED NATIONS UNIVERSITY

Statement of cash flows for the biennium 2000-2001 ending 31 December 2001

(Thousands of United States dollars)

	Total Operating Fund		Total Endowment Fund		Grand Total	
	2001	1999	2001	1999	2001	1999
Cash flows from operating activities						
Net excess (short fall) of income over expenditure (Statement I)	(29,559)	(26,576)	(9,172)	43,944	(38,731)	17,368
(Increase) decrease in contributions receivable	2,269	-	1,029	353	3,298	353
(Increase) decrease in other accounts receivable	(391)	(2,986)	2,173	2,361	1,782	(625)
(Increase) decrease in other assets	(6)	147	-	-	(6)	147
Increase (decrease) in unliquidated obligations	52	931	-	-	52	931
Increase (decrease) in accounts payable	1,397	1,596	-	-	1,397	1,596
Increase (decrease) in other liabilities	-	-	(75)	(150)	(75)	(150)
Less: Interest income	(3,224)	(2,432)	(20,150)	(30,768)	(23,374)	(33,200)
Net cash from operating activities	**(29,462)**	**(29,320)**	**(26,195)**	**15,740**	**(55,657)**	**(13,580)**
Cash flows from investing and financing activities						
(Increase) decrease in long-term investments	-	-	1,447	(12,021)	1,447	(12,021)
(Increase) decrease in cash pool	(22,406)	-	-	-	(22,406)	-
(Increase) decrease in inter-fund balances receivable	(1,947)	(3,715)	5,074	(5,152)	3,127	(8,867)
Increase (decrease) in inter-fund balances payable	1,841	2,653	(4,968)	6,214	(3,127)	8,867
Plus: Interest income	3,224	2,432	20,150	30,768	23,374	33,200
Net cash from investing and financing	**(19,288)**	**1,370**	**21,703**	**19,809**	**2,415**	**21,179**
Cash flows from other sources						
Savings on, or cancellation of, prior periods' obligations	2,779	2,959	-	-	2,779	2,959
Transfers to (from) other funds	30,004	30,768	(30,004)	(30,768)	-	-
Other adjustments to reserves and fund balances	(3,044)	-	(779)	-	(3,823)	-
Other adjustments: Reinvestment	-	(1,464)	-	1,464	-	-
Net cash from other sources	**29,739**	**32,263**	**(30,783)**	**(29,304)**	**(1,044)**	**2,959**
Net increase (decrease) in cash and term deposits	**(19,011)**	**4,313**	**(35,275)**	**6,245**	**(54,286)**	**10,558**
Cash and term deposits, beginning of period	**34,690**	**30,377**	**42,352**	**36,107**	**77,042**	**66,484**
Cash and term deposits, end of period	**15,679**	**34,690**	**7,077**	**42,352**	**22,756**	**77,042**

The accompanying notes are an integral part of the financial statements

UNITED NATIONS UNIVERSITY

Statement of appropriations
for the biennium 2000-2001 ending 31 December 2001
(Thousands of United States dollars)

Appropriation sections	Appropriations	Expenditures			Balance
		Disbursements	Unliquidated obligations	Total	
UNU/HQ					
Personnel Cost	17,279	14,805	394	15,199	2,080
General Expenses	2,736	3,562 a/	327	3,889	(1,153)
Research, training networks and dissemination	14,126	11,078	2,909	13,987	139
HQ building	5,000	4,242	242	4,484	516
Sub total	39,141	33,687	3,872	37,559	1,582
UNU/WIDER					
Personnel Costs	2,440	1,700	176	1,876	564
General Expenses	755	574 a/	57	631	124
Research, training networks and dissemination	2,637	1,318	1,182	2,500	137
Sub total	5,832	3,592	1,415	5,007	825
UNU/INTECH					
Personnel Costs	3,127	2,643	45	2,688	439
General Expenses	684	622 a/	34	656	28
Research, training networks and dissemination	1,080	732	416	1,148	(68)
Sub total	4,891	3,997	495	4,492	399
UNU/BIST					
Personnel Costs	2,164	1,967	14	1,981	183
General Expenses	744	552 a/	52	604	140
Research, training networks and dissemination	1,314	1,011	143	1,154	160
Sub total	4,222	3,530	209	3,739	483

Statement IV
(concluded)

THE UNITED NATIONS UNIVERSITY

Statement of appropriations

for the biennium 2000-2001 ending 31 December 2001
(Thousands of United States dollars)

Appropriation sections	Appropriations	Expenditures			Balance
		Disbursements	Unliquidated obligations	Total	
UNU/INRA					
Personnel costs	725	825	1	826	(101)
General expenses	206	237 a/	13	250	(44)
Research, training networks and dissemination	907	211	101	312	595
Sub-total	1 838	1 273	115	1 388	450
UNU/IAS					
Personnel costs	3 988	3 030	24	3 054	34
General expenses	1 510	1 386	69	1 455	55
Research, training networks and dissemination	4 552	3 189	549	3 738	814
Sub-total	9 150	7 605	642	8 247	903
UNU/IIST/M					
Personnel costs					
General expenses					
Research, training networks and dissemination	901	435	222	657	244
Sub-total	901	435	222	657	244
UNU/IAS					
Personnel costs	888	882	31	913	(105)
General expenses	331	367 a/	17	384	(53)
Research, training networks and dissemination	2 243	644	111	755	1 488
Sub-total	3 382	1 893	159	2 052	1 330
UNU/INRAH					
Personnel costs	290	248		248	42
General expenses	395	473 a/	11	484	(89)
Research, training networks and dissemination	5 690	1 831	117	2 148	3 542
Sub-total	6 375	2 552	128	2 680	3 695
GRAND TOTAL	58 732	50 564	7 457	66 021	9 711

a/ Including [illegible] and bank charges.

Notes to the financial statements

Note 1
The United Nations University and its activities

(a) The charter of the United Nations University (UNU) was adopted by the General Assembly on 6 December 1973 in resolution 3081 (XXVIII).

(b) The mission of UNU, a non-traditional international educational institution, is to carry out scholarly work of the highest quality to help resolve pressing global problems of human survival, development and welfare. Towards this end, UNU focuses its research, postgraduate education and knowledge dissemination activities on the most critical problems of concern to the United Nations, particularly as they affect developing countries.

(c) Through its work, the UNU strives to achieve two main goals: to strengthen the capacities of institutions of higher learning in developing countries to carry out high-quality research and training and to make scholarly and policy-relevant contributions to the work of the United Nations.

(d) The University seeks to contribute to the work of the United Nations by serving as a reservoir of ideas and a catalyst for research and advanced training on policy-relevant issues. The UNU disseminates the knowledge developed or illuminated through its efforts widely and in innovative media.

(e) The UNU also seeks to strengthen the capacities of developing country institutions by bridging the gaps between those institutions and those in the industrial countries and promotes academic exchange among developing countries through networking. UNU efforts are targeted at institutions where it is possible to leverage additional human and financial resources and to enhance the cumulative impact of UNU capability-strengthening initiatives. The objective of UNU is to create new centres of excellence in areas of importance to national development programmes.

(f) Academic activities are carried out at the UNU Centre and research and training centres or programmes as follows:

(i) Peace and governance;

(ii) Environment and sustainable development;

(iii) Building capacities: UNU training and fellowships;

(iv) Dissemination and public information.

(g) To accomplish these objectives, the UNU Centre in Tokyo plans, coordinates and funds academic activities carried out through the Academic Division located at its headquarters in Tokyo and through eight research and training centres and programmes:

(i) The World Institute for Development Economics Research (WIDER) in Helsinki;

(ii) The Institute for New Technologies (UNU/INTECH) located in Maastricht, the Netherlands;

(iii) The International Institute for Software Technology (UNU/IIST) in Macau, China;

(iv) The Institute for Natural Resources in Africa (UNU/INRA) in Accra;

(v) The Institute of Advanced Studies (UNU/IAS) in Tokyo;

(vi) The Programme for Biotechnology in Latin America and the Caribbean (UNU/BIOLAC) in Caracas;

(vii) The Leadership Academy (UNU/LA) in Amman;

(viii) The International Network on Water, Environment and Health (UNU/INWEH) in Hamilton, Canada.

Note 2
Summary of significant accounting and financial reporting policies of the United Nations University

(a) The United Nations University accounts are maintained in accordance with the Financial Regulations of the United Nations as adopted by the General Assembly, the rules formulated by the Secretary-General as required under the regulations, and administrative instructions issued by the Under-Secretary-General for Management or the Controller. They also take fully into account the United Nations system accounting standards, as adopted by the former Administrative Committee on Coordination. The United Nations University follows International accounting standard 1 on the disclosure of accounting policies[, as modified and adopted by the ACC], as shown below:

(i) Going concern, consistency, and accrual are fundamental accounting assumptions. Where fundamental accounting assumptions are followed in financial statements, disclosure of such assumptions is not required. If a fundamental accounting assumption is not followed, that fact should be disclosed together with the reasons;

(ii) Prudence, substance over form and materiality should govern the selection and application of accounting policies;

(iii) Financial statements should include clear and concise disclosure of all significant accounting policies which have been used;

(iv) The disclosure of the significant accounting policies used should be an integral part of the financial statements. The policies should normally be disclosed in one place;

(v) Financial statements should show corresponding figures for the preceding period;

(vi) A change in an accounting policy that has a material effect in the current period or may have a material effect in subsequent periods should be disclosed together with the reasons. The effect of the change should, if material, be disclosed and quantified.

(b) The United Nations University accounts are maintained on a "fund accounting" basis. Separate funds for general or special purposes may be established by the General Assembly or the Secretary-General. Each fund is maintained as a

distinct financial and accounting entity. Separate financial statements are prepared for each fund or for a group of funds of the same nature.

(c) The financial period of the United Nations University is a biennium and consists of two consecutive calendar years.

(d) The income, expenditure, assets and liabilities are recognized on the accrual basis of accounting.

(e) The accounts of the Organization are presented in United States dollars. Accounts maintained in other currencies are translated into United States dollars at the time of the transactions at rates of exchange established by the Under-Secretary-General for Management. In respect of such currencies, the financial statements, prepared at such intervals as may be prescribed by the Controller under delegation of authority from the Under-Secretary-General for Management, shall reflect the cash, investments, unpaid pledges and current accounts receivable and payable in currencies other than United States dollars, translated at the applicable United Nations rates of exchange in effect as at the date of the statements. In the event that the application of actual exchange rates at the date of the statements would provide a valuation materially different from the application of the Organization's rates of exchange for the last month of the financial period, a footnote will be presented quantifying the difference.

(f) The United Nations University financial statements are prepared on the historical cost basis of accounting and are not adjusted to reflect the effects of changing prices for goods and services.

(g) The United Nations University financial statements are presented in accordance with the ongoing recommendations of the Working Party on Accounting Standards of the then Administrative Committee on Coordination. In the interest of harmonizing the presentation of financial statements within the entire United Nations system, the recommended standards require presentation of financial results for the University's activities in statements I and II, presentation of cash flows in statement III and presentation of status of budget appropriations in statement IV.

(h) Income:

(i) The University derives its income from two sources: income from an Endowment Fund and contributions to the Operating Funds;

(ii) Pledged voluntary contributions from Governments to the Endowment Fund are recorded as income on the basis of a written commitment by a prospective donor to pay a monetary contribution at a specified time or times. Pledges for future years are recorded as deferred income;

(iii) All Government contributions, unless otherwise specified, are credited to the United Nations University Endowment Fund. The income derived from the investment of the Endowment Fund is allocated for the financing of the entities of the University in accordance with the ratio of contributions to the Endowment Fund from the respective donors;

(iv) Income for services rendered represent services provided to the United Nations and other organizations which occupy their offices in the building and from outside users of the conference and exhibition facilities;

(v) Interest income includes all interest earned on deposits in various bank accounts and investment income earned on marketable securities and other negotiable instruments. All realized losses and net unrealized losses on short-term investments are offset against investment income;

(vi) Miscellaneous income includes sale of used or surplus property, refunds of expenditures charged to prior periods, income resulting from net gains in currency transactions, monies accepted for which no purpose was specified and other sundry income.

(i) Expenditure:

(i) Expenditures are incurred against authorized allotments. Total expenditures reported include unliquidated obligations and disbursements;

(ii) Expenditures incurred for non-expendable property are charged to the budget of the period when acquired and are not capitalized. Inventory of such non-expendable property is maintained at historical cost;

(iii) Expenditures for future financial periods are not charged to the current financial period and are recorded as deferred charges as referred to in paragraph (j) (vii).

(j) Assets:

(i) Cash and term deposits comprise funds held in demand deposit accounts and interest-bearing bank deposits;

(ii) Investments comprise investment in bonds and equities managed by the United Nations Investment Management Service. Apart from changes in value arising from the retranslation of currencies as provided for in paragraph (e) above, all investments are stated at cost. No provision is made for amortization of premiums or discounts which are taken into account as part of the gain or loss when investments are sold;

(iii) Cash pool comprises participating funds' share of cash and term deposits, short-term and long-term investments and accrual of investment income, all of which are managed in the investment pool account for the United Nations offices away from Headquarters. Income earned on the investments of the cash pool and the costs associated with its operation are allocated to participating funds. Share in the cash pool is reported separately in each of the participating funds' statement;

(iv) In accordance with the decisions of the UNU Council, the present investment policies are:

a. To adopt 5.0 per cent of the five-year average endowment market value as the maximum endowment spending level;

b. To adopt a portfolio with a higher equity exposure, that is, the current benchmark of 65 per cent fixed income, 20 per cent equity, 15 per cent cash be shifted to 53 per cent fixed income, 42 per cent equity and 5 per cent cash;

c. To use a rolling five-year asset base forecast and target a percentage of total assets as the budget transfer to fund operations;

d. To focus on total return instead of income or capital gains: a well-diversified portfolio will protect the principal by definition.

(v) For purposes of the balance-sheet statements only, those portions of the education grant advances that are assumed to pertain to the scholastic years completed as at the date of the financial statement are shown under deferred charges. The full amounts of the advances are maintained as accounts receivables from staff members until the required proof of entitlement are produced, at which time the budgetary accounts are charged and advances settled;

(vi) Maintenance and repairs of capital assets are charged against the appropriate budgetary accounts. Furniture, equipment, other non-expendable property and leasehold improvements are not included in the assets of the University. Acquisitions are charged against budgetary accounts in the year of purchase. The value of non-expendable property is recorded in memorandum accounts and is disclosed in notes to the financial statements;

(vii) Deferred charges normally comprise expenditure items that are not properly chargeable in the current financial period. They will be charged as expenditure in a subsequent period. These expenditure items include commitments approved by the Controller for future financial periods in accordance with financial rule 110.6. Such commitments are normally restricted to administrative requirements of a continuing nature and to contracts or legal obligations where long lead times are required for delivery.

(k) Liabilities and reserves and fund balances:

(i) Deferred income includes pledged contributions for future periods;

(ii) Unliquidated obligations for future years are reported both as deferred charges and as unliquidated obligations;

(iii) Commitments in respect of the United Nations University relating to the prior, current and future financial periods are shown as unliquidated obligations. Current period obligations related to the Operating Fund and the Endowment Fund remain valid for 12 months following the end of the biennium to which they relate;

(iv) Transfers from other funds represent actual fund transfers from the Endowment Fund to respective Operating Funds;

(v) Other adjustments to reserves and fund balances represent transfers among Operating Funds and the amounts reinvested in the Endowment Fund, as approved by the University Council;

(vi) The Endowment Fund of the United Nations University represents the working capital funds;

(vii) Authorized retained surplus represents the amounts set aside, as contingency funds approved by the University Council, to cover any shortfall or delay in the payment of expected contributions, compensate any reduction in estimated income due to currency fluctuations and cover any special maintenance costs for the headquarters building;

(viii) Balances related to projects funded by donors represent the amount of specific programme contributions unspent during the period.

(l) Trust funds may be established by the Rector. The University follows the general provisions of the Secretary-General's bulletin on the establishment and management of trust funds (ST/SGB/188) and also its supporting administrative instructions (ST/AI/284, ST/AI/285 and ST/AI/286) although, as indicated in paragraph 3 of Secretary-General's bulletin ST/SGB/188, that bulletin does not apply to such institutions as UNU, which are subject to the administrative authority of their executive heads.

(m) The United Nations University is a member organization participating in the United Nations Joint Staff Pension Fund, established by the General Assembly to provide retirement, death, disability and related benefits. The Pension Fund is a funded-defined benefit plan. The financial obligation of the University to the Fund consists of its mandated contribution at the rate established by the General Assembly, together with its share of any actuarial deficiency payments under article 26 of the Regulations of the Fund. Such deficiency payments are only payable if and when the General Assembly has invoked the provision of article 26, following a determination that there is a requirement for deficiency payments based on an assessment of the actuarial sufficiency of the Fund as of the valuation date. As at the date of the current financial statement, the General Assembly has not invoked that provision.

Note 3
Income and expenditure and changes in reserves and fund balances (statement I); assets, liabilities and reserves and fund balances (statement II); cash flows (statement III)

Statements I, II, and III contain financial results for all United Nations University funds, which are totalled into several groups of related funds, namely the United Nations University headquarters, the World Institute for Development Economics Research (UNU/WIDER), the Institute for New Technologies (UNU/INTECH), the International Institute for Software Technology (UNU/IIST), the Institute for Natural Resources in Africa (UNU/INRA), the Programme for Biotechnology in Latin America and the Caribbean (UNU/BIOLAC), the Institute for Advanced Studies (UNU/IAS), the Leadership Academy (UNU/LA) and the International Network on Water, Environment and Health (UNU/INWEH). After eliminations, they are consolidated into a grand total reflecting all the activities of the Organization. This consolidated presentation should not be interpreted to mean that any of the individual funds can be used for any other purpose than that for which it is authorized.

Note 4
United Nations University funds (statements I, II and III)

(a) Cash and term deposits, and investments. The following table shows the status of the cash and term deposits, and investments by currencies and type of investments included in statement II as at 31 December 2001 (in thousands of United States dollars):

Currency	*Total*
United States dollars	112 730
Euro	82 896
Japanese yen	57 139
British pounds	14 499
Others	23 219
Total	**290 483**[a]

Type of investment	*Total*
Cash and deposits	22 757
Cash pool	22 406
Bonds	149 407
Equities	95 913
Total	**290 483**[a]

[a] The market value of the funds as at 31 December 2001 amounted to $295.5 million.

(b) Voluntary contributions receivable. The following table is an aged analysis of the pledged contributions unpaid included in statement II as at 31 December 2001 (in thousands of United States dollars):

	Less than two years future years	*More than two years less than five years*	*More than five years*	*Total*
Ghana	-	-	3 450	3 450
India	25	-	-	25
Japan	650	-	-	650
Jordan	125	-	-	125
Venezuela	-	-	3 003	3 003
Total	**800**	-	**6 453**	**7 253**

(c) Non-expendable property. In accordance with United Nations University accounting policies, non-expendable property is not included in the fixed assets of UNU but is charged against the current budget when acquired. The following table shows the non-expendable property at UNU headquarters and the UNU research and training centres and programmes, according to the cumulative records for the inventory as purchased by UNU as at 31 December 2001 (in thousands of United States dollars):

	Total
UNU headquarters, Tokyo	2 432
UNU/NY, New York, United States of America	51
UNU/UNESCO, Paris	42
UNU/WIDER, Helsinki	475
UNU/INTECH, Maastricht, the Netherlands	393
UNU/IIST, Macau, China	535
UNU/INRA, Accra	154
UNU/INRA Unit, Lusaka	142
UNU/IAS, Tokyo	668
UNU/BIOLAC, Caracas	10
UNU/LA, Amman	58
UNU/INWEH, Hamilton, Canada	103
Total	**5 063**

In addition to the above-listed inventory records, furniture and equipment for UNU headquarters and the research and training centres and programmes have been made available by the respective host countries and certain private donors. Separate inventory records are maintained for such furniture and equipment and donated items.

(d) Other accounts receivable. The following table is an aged analysis of other accounts receivable included in statement II as at 31 December 2001 (in thousands of United States dollars):

	Less than one year	*More than one year*	*Total*
Staff	674	18	692
Vendor	69	28	97
Accrued interest	2 377	-	2 377
Others	8 531	-	8 531
Total accounts receivable	**11 651**	**46**	**11 697**

(e) Deferred charges and other assets. The following table is an analysis of other assets included in statement II as at 31 December 2001 (in thousands of United States dollars):

	Total
Education grant advances	68
Charges in transit from offices away from Tokyo (inter-office vouchers)	29
Total	**97**

(f) Other accounts payable. The following table is an analysis of other accounts payable included in statement II as at 31 December 2001 (in thousands of United States dollars):

	Total
United Nations Headquarters	107
UNDP	387
Others	9 424
Total	**9 918**

Note 5
Liabilities for end-of-service and post-retirement benefits

(a) The University has not specifically recognized, in any of its financial accounts, liabilities for after-service health insurance costs or the liabilities for other types of end-of-service payments, which will be owed when staff members leave the University. Such payments are budgeted for in the Operating Fund, and the actual costs incurred in each financial period are reported as current expenditures. In order to gain a better understanding of the financial dimensions of the University's liabilities for after-service health insurance, a consulting actuary was engaged by the United Nations to carry out an actuarial valuation of post-retirement health insurance benefits and, on the basis of the study, it was estimated that the University's liability as at 1 January 2001, projected to 31 December 2001 for after-service health insurance benefits covering all participants, regardless of funding source, was as follows (in thousands of United States dollars):

	Present value of future benefits	*Accrued liability*
Gross liability	3 673	2 714
Offset from retiree contributions	(693)	(514)
Net liability	**2 980**	**2 200**

(b) The present value of future benefits figures shown above are the discounted values of all benefits to be paid in the future to all current retirees and active employees expected to retire. The accrued liabilities represent those portions of the present values of benefits that have accrued from the staff members' dates of entry on duty until the valuation date. Active staff members' benefits are fully accrued when the staff members have reached their dates of full eligibility for benefits.

(c) Staff members who separate from the University are entitled to be paid for any unused vacation days they may have accrued up to a maximum limit of 60 days. The University's total liability for such unpaid accrued vacation compensation as of 31 December 2001 is estimated to be $578,000.

(d) Some staff members are entitled to repatriation grants and related expenditures of relocation upon their termination from the University, based on the number of years of service. The concerned staff members, however, did not accrue such entitlements to be reported as at 31 December 2001 and thus, no liabilities in this respect are disclosed as at 31 December 2001.

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